

WOLF CONSERVATION CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2018

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Independent Auditor's Report

**Board of Directors
Wolf Conservation Center, Inc.**

Report on Financial Statements

We have audited the accompanying financial statements of Wolf Conservation Center, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wolf Conservation Center, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Wolf Conservation Center Inc.'s December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2018. As discussed in Note 11, Wolf Conservation Center Inc. has adopted Financial Accounting Standards Update No. 2016-14 and has adjusted the presentation of these statements accordingly. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "W. J. [unclear], CPA".

Mount Kisco, New York
June 12, 2019

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Summarized Comparative Information as of December 31, 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,079,063	\$ 1,863,623
Investments	102,548	102,548
Receivables	77,611	120,951
Inventory	43,134	39,437
Pledges receivable – short term	291,102	908,135
Prepaid expenses	<u>60,226</u>	<u>2,142</u>
Total Current Assets	<u>3,653,684</u>	<u>3,036,836</u>
Fixed assets, net of accumulated depreciation of \$905,186 for 2018 and \$800,090 for 2017	<u>4,079,010</u>	<u>3,374,945</u>
Pledges receivable – long term	<u>1,098,371</u>	<u>295,501</u>
Total Assets	<u>\$ 8,831,065</u>	<u>\$ 6,707,282</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Accounts payable and accrued expenses	\$ 78,223	\$ 61,468
Deferred revenue	11,534	3,513
Mortgage loans payable, current	<u>21,653</u>	<u>20,395</u>
Total Current Liabilities	111,410	85,376
Mortgage loans payable, long term	<u>115,202</u>	<u>136,855</u>
Total Liabilities	<u>226,612</u>	<u>222,231</u>
Commitments & contingencies (Note 6)		
Net Assets:		
Without donor restrictions	5,690,333	4,612,166
With donor restrictions	<u>2,914,120</u>	<u>1,872,885</u>
Total Net Assets	<u>8,604,453</u>	<u>6,485,051</u>
Total Liabilities & Net Assets	<u>\$ 8,831,065</u>	<u>\$ 6,707,282</u>

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2018

(With Summarized Comparative Information for the Year Ended December 31, 2017)

	<u>2018</u>		<u>Total</u>	<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
Revenue & Other Support:				
Fundraising campaign	\$	\$ 2,017,089	\$ 2,017,089	\$ 1,659,846
Contributions	932,526		932,526	599,692
Fundraising revenue – net of cost of goods sold	211,918		211,918	225,809
Foundation, corporate, and other grants	28,553	40,000	68,553	68,230
In-kind services and donated supplies (Note 9)	18,340	3,000	21,340	21,615
Educational program revenue	337,833		337,833	330,754
Rental income				6,000
Investment return, net	897		897	665
Other income	704		704	11,364
Net Assets released from restrictions:				
Satisfaction of time & donor restrictions	<u>1,018,854</u>	<u>(1,018,854)</u>	<u>-</u>	<u>-</u>
Total Revenue & Other Support	<u>2,549,625</u>	<u>1,041,235</u>	<u>3,590,860</u>	<u>2,923,975</u>
Expenses:				
Program expenses	937,223		937,223	671,622
Support services	258,309		258,309	178,354
Fundraising expenses	<u>275,926</u>		<u>275,926</u>	<u>107,439</u>
Total Expenses	<u>1,471,458</u>		<u>1,471,458</u>	<u>957,415</u>
Increase (decrease) in net assets	1,078,167	1,041,235	2,119,402	1,966,560
Net Assets, beginning of year	<u>4,612,166</u>	<u>1,872,885</u>	<u>6,485,051</u>	<u>4,518,491</u>
Net Assets, end of year	\$ <u>5,690,333</u>	\$ <u>2,914,120</u>	\$ <u>8,604,453</u>	\$ <u>6,485,051</u>

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

(With Summarized Comparative Information for the Year Ended December 31, 2017)

	<u>2018</u>				
	<u>Program</u> <u>Expenses</u>	<u>Support</u> <u>Services</u>	<u>Fundraising</u> <u>Expenses</u>	<u>Total</u>	<u>2017</u>
Expenses:					
Personnel costs:					
Employee salaries	\$ 295,671	\$ 106,442	\$ 107,966	\$ 510,079	\$ 385,650
Employee benefits and payroll taxes	75,656	27,133	27,238	130,027	91,960
Program supplies and expenses (Note 9)	114,640			114,640	61,976
Information technology (Note 9)	70,287	25,448	25,449	121,184	28,581
Fundraising campaign			99,049	99,049	19,993
Professional fees	17,037	54,793		71,830	38,344
Office expenses (Note 9)	54,158	13,540		67,698	54,124
Repairs and maintenance	53,509			53,509	32,394
Advertising	41,675			41,675	30,065
Utilities	29,741	7,435		37,176	22,880
Postage	26,733			26,733	22,042
Insurance	17,753	1,907		19,660	22,424
Travel	13,739	3,435		17,174	10,709
Fundraising Grants	15,850		16,224	16,224	9,991
Fees and permits		10,402		10,402	544
Interest	7,104	1,776		8,880	10,065
Sales tax and real estate tax	2,972	743		3,715	7,574
Miscellaneous	857			857	451
Depreciation	<u>99,841</u>	<u>5,255</u>		<u>105,096</u>	<u>105,848</u>
Total Expenses	\$ <u>937,223</u>	\$ <u>258,309</u>	\$ <u>275,926</u>	\$ <u>1,471,458</u>	\$ <u>957,415</u>

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

(With Summarized Comparative Information for the Year Ended December 31, 2017)

(Increase (Decrease) in Cash and Cash Equivalents)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase (decrease) in Net Assets	\$ 2,119,402	\$ 1,966,560
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:		
Depreciation	105,096	105,848
(Increase) decrease in receivable	43,340	(35,484)
(Increase) decrease in inventory	(3,697)	(13,893)
(Increase) decrease in pledges receivables	(185,837)	(630,074)
(Increase) decrease in prepaid expenses	(58,084)	395
Increase (decrease) in accounts payable and accrued expenses	16,755	11,670
Increase (decrease) in deferred revenue	8,021	(9,547)
Net cash provided (used) by operating activities	<u>2,044,996</u>	<u>1,395,475</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(809,161)</u>	<u>(678,021)</u>
Cash flows from financing activities:		
Increase (decrease) in mortgage liability	<u>(20,395)</u>	<u>(19,211)</u>
Increase (decrease) in cash and cash equivalents	1,215,440	698,243
Cash and cash equivalents - beginning of year	<u>1,863,623</u>	<u>1,165,380</u>
Cash and cash equivalents - end of year	<u>\$ 3,079,063</u>	<u>\$ 1,863,623</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 8,880	\$ 10,065
Income taxes	\$ -0-	\$ -0-

The accompanying notes are an integral part of the financial statements.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1 – Description of Organization:

Wolf Conservation Center, Inc. (the “Organization”), was formed under the not-for-profit corporation laws of the State of New York in 1999 as an educational and charitable facility. The Organization’s exempt purpose is to promote wolf conservation through education, support reintroduction of wolves in federally designated areas and to provide a natural habitat sanctuary. The Organization is located in Westchester County, New York, near New York City.

Wolf Conservation Center Foundation (the “Foundation”) was organized as a supporting organization within the meaning of sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code in that the Foundation may not operate to support or benefit any organization other than the Wolf Conservation Center, Inc. The Foundation is a membership form of a New York nonprofit corporation, with the Wolf Conservation Center, Inc. being the sole member. The Foundation contracts with the Wolf Conservation Center, Inc. for any administrative and clerical services they require.

The Board of Directors of the Foundation has elected to discontinue operations and dissolve with its remaining assets being transferred to the Wolf Conservation Center, Inc. in 2019.

Note 2 – Summary of Significant Accounting Policies:

- a. The accompanying financial statements are prepared in accordance with U.S. generally accepted accounting principles on the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when incurred. Income from contributions is recognized when received or pledged.
- b. The Organization considers all highly liquid instruments purchased within an original maturity of three months or less to be cash equivalents.
- c. Unconditional promises to give are reported at the date a written promise is received. As of December 31, 2018, it has been determined by management that an allowance for uncollectible pledges is not necessary.
- d. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from these estimates.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued):

- e. The accompanying financial statements present information regarding the financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the Organization and may be used at the discretion of management and the board of directors. Net assets with donor restrictions are subject to stipulations imposed by donors or grantors. Some restrictions are temporary in nature; those restrictions that will be met by the passage of time or accomplishing the purpose restriction. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.
- f. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of time and effort studies; and office and occupancy which are allocated on a square-footage basis.
- g. A substantial number of volunteers made significant contributions of their time to the Organization's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.
- h. Inventory is stated at cost on the statement of financial position.
- i. Certain reclassifications may have been made to some prior year account balances in order to conform to current year presentation.
- j. Subsequent events have been evaluated through June 12, 2019 which is the date the financial statements were available to be issued.
- k. The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from New York State Franchise Tax.

The Organization adopted the provision pertaining to uncertain tax positions and has determined that there were no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization is generally no longer subject to income tax examination by the applicable taxing jurisdiction for periods prior to 2016.

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 3 – Investments:

The Organization adopted the provisions pertaining to fair value measurements and disclosures which offers a framework consisting of a three-tier hierarchy of inputs to be used in determining the fair market value of assets and liabilities. Realized and unrealized gains or losses and interest income are reflected within investment return, net, in the statement of activities. The following is a summary of the fair value hierarchy of inputs:

Fair value measurements based on Level 1 inputs: Includes quoted prices in active markets for identical assets or liabilities to which the company has access at the measurement date. *Fair value measurement based on Level 2 inputs:* Includes inputs other than quoted market prices that are directly or indirectly observable for the assets or liability, including quoted prices in an active market for similar assets or liabilities: quoted prices in a market that is not active for the same or similar assets or liabilities; inputs other than quoted market prices that are observable for the asset or liability. *Fair value measurements based on Level 3 inputs:* Includes unobservable inputs reflecting the assumptions that a market participant would use to price the asset or liability. The following table provides the fair value hierarchy of the Organization's financial assets as of December 31, 2018:

<u>Financial Assets</u>	<u>Level 1</u>
Certificates of Deposit	\$ <u>102,548</u>

Note 4 – Liquidity and Availability:

The Organization is substantially supported by contributions and grants and must maintain sufficient resources to meet those responsibilities to its donors. As part of the liquidity plan, the Organization has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due and invests excess cash in savings accounts and certificates of deposit.

The following represents the financial assets as of December 31, 2018, that are available to meet general expenditures within one year, reduced by amounts for donor-imposed restrictions or board designations:

Financial Assets, at year end	\$ 4,550,324
Less amounts not available to be used within one year:	
Restricted by donor with purpose & time restrictions	<u>2,914,120</u>
Financial assets available to meet general expenditures within one year	\$ <u>1,636,204</u>

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 5 – Fixed Assets:

Fixed assets are carried at cost net of accumulated depreciation. These amounts do not purport to represent replacement or realized values. These assets are being depreciated using the straight-line method over their estimated useful lives. Useful lives are determined to be 20-39 years for habitats, buildings & improvements and 5-7 years for vehicles, machinery and equipment and 12 years for Ambassador Wolves.

Fixed assets of the Organization consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,618,082	\$ 1,443,844
Buildings and sheds	1,701,126	1,366,188
Improvements	593,935	584,085
Species survival plan facility	364,790	364,790
Vehicles	95,647	95,647
Machinery & equipment	132,004	98,656
Ambassador Wolves	11,113	11,113
Furniture and fixtures	17,204	17,204
Capital campaign	<u>450,295</u>	<u>193,508</u>
Total	<u>4,984,196</u>	<u>4,175,035</u>
Accumulated depreciation	<u>(905,186)</u>	<u>(800,090)</u>
	<u>\$ 4,079,010</u>	<u>\$ 3,374,945</u>

Note 6 – Commitments and Contingencies:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal depository coverage limits.

Note 7 – Related Party Transaction:

On April 10, 2014 the Organization purchased the property known as 7 Buck Run, South Salem, NY for \$597,000. The property and a building were purchased from an individual who is an officer of the Organization and the President of the Foundation. Management believes this transaction was conducted at fair market value. In connection with this purchase, the Organization assumed from the seller a mortgage with an outstanding balance of \$222,407 at the time of closing (See Note 8).

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 8 – Mortgage Loans Payable:

The Organization is obligated for a mortgage loan which is secured by property owned by the Organization. The mortgage was assumed from the seller of 7 Buck Run, South Salem, NY at closing (See Note 7). This mortgage bears an interest rate of 6% and matures on June 1, 2024. The balance due as of December 31, 2018 is \$136,855.

Principal payments over the next 5 years are as follows:

2019	\$ 21,653
2020	22,989
2021	24,407
2022	25,912
2023	27,510
Thereafter	<u>14,384</u>
Total	\$ <u>136,855</u>

Note 9 – In-Kind Contributions:

For the year ended December 31, 2018, the Organization has recorded in-kind contributions for the following professional services received:

Veterinary services	\$ 13,900
Website development	3,600
Fundraising	3,000
Program supplies	812
Office supplies	<u>28</u>
Total in-kind contributions	\$ <u>21,340</u>

Note 10 – Net Assets:

The Organization's net assets with donor restrictions for the year ended December 31, 2018 were as follows:

Subject for purpose restrictions:	
Capital improvements	\$ 1,524,647
Subject to the passage of time:	
For periods after December 31, 2018	<u>1,389,473</u>
Total net assets with donor restrictions	\$ <u>2,914,120</u>

WOLF CONSERVATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 11 – Summarized Comparative Information:

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2017, from which the summarized information was derived.

As of December 31, 2018, the Organization has adopted Financial Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of prior year summarized comparative information accordingly.